BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case

PUBLIC COUNSEL DATA REQUEST NO. 144

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(Markell Direct, p. 23, ll. 12-15)

Please explain why reducing dividend payout and "thereby increasing PSE's retention of cash earnings to reinvest in the business" strengthens its financial position.

Response:

The content of the statement quoted in Public Counsel Data Request No. 144 is more fully stated as "reducing Puget Energy's common dividend by 46 percent in 2002 and holding its cash dividends unchanged for six years thereby increasing PSE's retention of cash earnings to reinvest in the business,...". Prior to the reduction in dividends, Puget Sound Energy, Inc.'s ("PSE") dividend pay-out ratio was close to 100%, and funds for capital investment were being borrowed. When Puget Energy, Inc. ("Puget Energy") reduced its dividend to common stock shareholders, PSE reduced its dividend to Puget Energy, resulting in an increase in PSE's retention of capital.

As explained in the Prefiled Direct Testimony of Eric Markell, Exhibit No. ___(EMM-1CT), it is Mr. Markell's opinion that the reduced dividend level in 2002 was an important element to PSE's commitment to strengthen its financial condition in conjunction with raising additional public equity and incremental debt to finance PSE's capital spending program.